



IRAQ
INVESTMENT CLIMATE STATEMENT
2015

Table of Contents

Executive Summary

1. Openness To, and Restrictions Upon, Foreign Investment

- 1.1. *Attitude Toward FDI*
- 1.2. *Other Investment Policy Reviews*
- 1.3. *Laws/Regulations of FDI*
- 1.4. *Industrial Strategy*
- 1.5. *Limits on Foreign Control*
- 1.6. *Privatization Program*
- 1.7. *Screening of FDI*
- 1.8. *Competition Law*
- 1.9. *Investment Trends*
 - 1.9.1. *Table 1 and if applicable, Table 1B*

2. Conversion and Transfer Policies

- 2.1. *Foreign Exchange*
 - 2.1.1. *Remittance Policies*

3. Expropriation and Compensation

4. Dispute Settlement

- 4.1. *Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts*
- 4.2. *Bankruptcy*
- 4.3. *Investment Disputes*
- 4.4. *International Arbitration*
 - 4.4.1. *ICSID Convention and New York Convention*
- 4.5. *Duration of Dispute Resolution*

5. Performance Requirements and Investment Incentives

- 5.1. *WTO/TRIMS*
- 5.2. *Investment Incentives*
 - 5.2.1. *Research and Development*
- 5.3. *Performance Requirements*
- 5.4. *Data Storage*

6. Right to Private Ownership and Establishment

7. Protection of Property Rights

7.1. Real Property

7.2. Intellectual Property Rights

8. Transparency of the Regulatory System

9. Efficient Capital Markets and Portfolio Investment

9.1. Money and Banking System, Hostile Takeovers

10. Competition from State-Owned Enterprises

10.1. OECD Guidelines on Corporate Governance of SOEs

10.2. Sovereign Wealth Funds

11. Corporate Social Responsibility

11.1. OECD Guidelines for Multinational Enterprises

12. Political Violence

13. Corruption

13.1. UN Anticorruption Convention, OECD Convention on Combatting Bribery

14. Bilateral Investment Agreements

14.1. Bilateral Taxation Treaties

15. OPIC and Other Investment Insurance Programs

16. Labor

17. Foreign Trade Zones/Free Ports/Trade Facilitation

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

19. Contact Point at Post for Public Inquiries

Executive Summary

Investors in Iraq continue to face both tremendous opportunities and significant obstacles. The Government of Iraq (GOI) is currently facing the dual challenges of fighting the Islamic State of Iraq and the Levant (ISIL) and the financial impact of declining world oil prices. The fall of oil prices drastically reduced Iraq's revenues from oil exports, which account for more than 90 percent of Iraq's budget. Despite these challenges, the GOI has publically characterized the country's current fiscal position as an opportunity to hasten public and private sector reforms as the country seeks to attract foreign investment and diversify its oil-based economy. Prime Minister Haider al-Abadi publicly committed to a reform plan that includes reforming Iraq's failing state owned enterprises (SOEs), fighting corruption, reducing bureaucratic bottlenecks, and investing in necessary infrastructure.

ISIL's capture of Mosul and parts of northern and western Iraq in June 2014 cut key domestic and international trade routes and contributed to slowing economic growth. The Iraqi Security Forces and the international Coalition to Counter ISIL, led by the United States, have partnered to combat ISIL, and a stabilization and rebuilding process will follow military operations to eradicate ISIL from Iraq. Security remains an impediment to investment in many parts of the country. However, the security situation varies throughout the country and is generally more stable in Iraq's southern provinces and the Iraqi Kurdistan Region (IKR).

Despite the current security and fiscal challenges, Iraq has long term potential for U.S. investment. Iraq has the fifth largest proven oil reserves in the world and needs tremendous reconstruction and infrastructure development. U.S. companies have opportunities to invest in security, energy, environment, construction, healthcare, agriculture, and infrastructure sectors. Iraq imports large volumes of agricultural commodities, machinery, and consumer goods.

Iraq's fiscal position is forcing the GOI to balance competing budget priorities. The GOI is facing a projected USD 20 billion deficit in 2015. Government contracts and tenders – the source of many commercial opportunities in Iraq – are largely financed by oil revenues and therefore will remain limited until oil prices rebound. Potential investors should prepare to face significant costs to ensure security, cumbersome and confusing procedures, and long payment delays on some GOI contracts. Difficulties with corruption, customs regulations, cumbersome visa procedures, unreliable dispute resolution mechanisms, electricity shortages, and lack of access to financing are also common complaints from companies. Shifting and unevenly enforced regulations create additional burdens for investors. The GOI currently operates over 192 SOEs, a legacy from decades of statist economic policy.

Investors in the IKR face many of the same challenges as investors elsewhere in Iraq, but a business-friendly investment law and more stable security situation are generally more attractive to foreign businesses. In 2014, the ISIL offensive and suspended budget transfers from the GOI to the IKR have dampened foreign investment. Budget transfers have resumed, albeit on a lower basis.

The U.S. government and the GOI are seeking to address impediments to trade and investment through bilateral economic dialogue mechanisms provided under the U.S.-Iraq Strategic Framework Agreement and the Trade and Investment Framework Agreement. The bilateral

Investment Incentive Agreement entered into force in 2013, and numerous programs geared towards creating an enabling environment for investment are ongoing.

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

The GOI has publicly stated its commitment to attract foreign investment, and has taken several steps to improve the investment climate in Iraq. The current administration, led by Prime Minister Haider al-Abadi, committed to diversifying Iraq's economy to be less reliant on oil revenues, restructuring SOEs, modernizing the financial sector, and reducing bureaucratic bottlenecks. The GOI also pledged to publish investment opportunities and to provide foreign investors preferential terms and conditions. The government is exploring financing for long-term development projects, rather than relying on the established practice of funding investments entirely from current annual budget outlays.

According to Iraqi law, a foreign investor is entitled to make investments in Iraq on terms no less favorable than those applicable to an Iraqi investor, and the amount of foreign participation is not limited. However, Iraq's National Investment Law limits foreign direct and indirect ownership of natural resources, particularly the extraction and processing of any natural resources. Further restrictions apply to the ownership of banks and insurance companies. Otherwise, there are no laws or practices that explicitly discriminate against foreign investors.

Other Investment Policy Reviews

In the past three years, the GOI has not conducted any investment policy reviews through the Organization for Economic Cooperation and Development (OECD), the World Trade Organization (WTO), or the United Nations Conference on Trade and Development (UNCTAD).

Laws/Regulations of Foreign Direct Investment

The 2006 National Investment Law (NIL) provides a legal structure to protect foreign and domestic investors while also providing investment incentives. The NIL allows both domestic and foreign investors to qualify for investment incentives equally. A 2009 amendment to the NIL, followed by 2010 implementing regulations, allows limited foreign ownership of land solely for the purpose of developing residential real estate projects. Although the NIL was meant to clarify and codify investment regulations, the lack of clear and definitive implementing mechanisms creates confusion and delays in the approval of investment projects. (A copy of the NIL can be obtained from the National Investment Commission website <http://investpromo.gov.iq/policies-and-laws/>).

Under the NIL, the National Investment Commission (NIC) and the Provincial Investment Commissions (PICs) are designed to be one-stop shops that can provide information, sign contracts, and facilitate registration for new foreign and domestic investors. The NIC offers investor facilitation services on transactions including work permit applications, customs procedures, and business registration. Investors can request these services through the NIC website. However, Investment Commissions struggle to operate amid unclear lines of authority,

budget restrictions, and an absence of regulations and standard operating procedures. In August 2014, the Council of Ministers approved a new amendment to the NIL, which elaborated on the role of the NIC and foreign property rights. But Investment Commissions still generally lack the authority to intercede when investors encounter bureaucratic obstacles with other Iraqi ministries.

The NIL does not apply to investment in the IKR. Under the Iraqi Constitution, some competencies relevant to the overall investment climate are either shared by the federal government and the regions or are devolved entirely to the regions. Currently, the IKR, comprising three northern provinces, is the only area of Iraq with a designation as a region. Investment in the IKR operates within the framework of the Kurdistan Region Investment Law (KRIL) of 2006 and the Kurdistan Board of Investment (KBOI), which is designed to provide incentives to help economic development in areas under the authority of the Kurdistan Regional Government (KRG).

The KRIL provides specific incentives for companies to develop strategic investment projects, which the KBOI evaluates and licenses based on the project's perceived economic and environmental impacts. If approved, a company is awarded an investment license that could include free land, a ten-year exemption from corporate taxes, and a five-year exemption from customs duties. (A copy of the IKR Investment Law can be obtained from the KBOI website – <http://www.kurdistaninvestment.org/docs/Investment%20Law.pdf>).

The KBOI has approved over 700 projects since 2006. Investors who do not wish to receive the incentives for their projects under the investment law may invest without applying for the investment license by working directly with the relevant sector's ministry.

In 2008, the Provincial Powers Law (Law Number 21) was adopted to decentralize governance by delineating substantial powers for provincial (governorate) councils. Under the 2008 law, the provincial councils enact provincial legislation, regulations, and procedures, and choose the province's governor and two deputy governors. Governors' offices are in charge of drafting provincial budgets and implementing federal policies. June 2013 amendments to this law include an increase in petrodollar allocations for oil and gas producing provinces. As a consequence of this law and subsequent amendments, oil and gas producing provinces administer larger budgets and issue their own procurement tenders. In 2014 and 2015, low oil prices and scarce budget resources led to uncertain and limited petrodollar disbursements to provinces, constraining planned infrastructure spending.

Industrial Promotion

The lion's share of investment in Iraq has traditionally been directed to energy related projects. Article 111 of the Constitution states that Iraq's oil belongs to the people of Iraq, therefore all international oil companies operate through technical services contracts. The current fiscal crisis has prompted the GOI to consider renegotiating international oil companies' (IOC) contract terms, but a wholesale change to more profitable production sharing contracts remains unlikely. Iraq has 143 billion barrels of proven oil reserves, the second-largest in OPEC, and oil production has reached the highest level in 35 years. Despite growing oil production capacity,

inadequate infrastructure limiting storage and pumping capacity constrain Iraq's oil export potential.

Since 2009, the GOI has held four oil and gas licensing ("bid") rounds. Foreign firms were allowed to bid for contracts to develop a significant portion of Iraq's oil and gas resources. Iraq has the potential to increase dramatically its production of crude oil, but internal infrastructure constraints and other factors have limited the full realization of Iraq's potential. Iraq's four oil and gas bid rounds were widely regarded as transparent. The first and second oil and gas licensing rounds in 2009 and 2010 were competitive, offering oil fields that were already producing oil or had proven reserves. However, the third and fourth rounds in 2011 and 2012, which focused on largely unexplored oil and gas fields, yielded far fewer contracts, due to poor contract terms insufficient to incentivize riskier investments. Iraqi oil officials concede the need to offer better terms in future rounds, but they have not specified how contract terms might change. The oil and gas contracts awarded to date are expected to bring in billions of dollars of investment in oil and gas-related industries and spur growth in the foreign and domestic private sector in Iraq.

Under Prime Minister Abadi, the GOI is newly committed to diversifying its economy away from reliance on oil and is seeking foreign investment in non-oil related sectors. The government is particularly interested in attracting assistance and loans from foreign financial institutions. Investment opportunities are supposed to be disseminated through the Ministries' websites and Commercial Attaché offices. In practice, the GOI lacks a coherent system to attract foreign investment and publicize investment opportunities.

Limits on Foreign Control

Foreign companies generally must have local Iraqi partners to participate in GOI procurement tenders. Certain industries also have local hiring requirements. Foreign investors are able to trade shares and securities listed on the Iraqi Stock Exchange. In theory, the law also allows investors who have obtained an investment license to enjoy exemptions from taxes and fees for a period of ten years, although those exemptions are not universally recognized. Hotels, tourist institutions, hospitals, health institutions, rehabilitation centers and scientific organizations also are granted additional exemptions from duties and taxes on their imports of furniture and other furnishings. The exemption increases to fifteen years if Iraqi investors own more than 50 percent of the project. The GOI generally favors SOEs and state-controlled banks in competitions for government tenders and investment. This preference discriminates against both local and foreign investors.

Privatization Program

The GOI has repeatedly announced that it plans to reorganize failing SOEs across multiple sectors. Additionally, the GOI is eager to modernize Iraq's financial and banking institutions. There are, however, no concrete timelines for these initiatives. Presumably, foreign investors would have an opportunity to invest in privatization projects.

Screening of FDI

According to the NIL, the GOI reserves the right to screen foreign direct investment. The Embassy is not aware of instances where this screening process has impeded foreign investments in Iraq. Several GOI Ministries, including the Ministry of Health and the Ministry of Planning, occasionally require potential investors to fill out the Arab League Boycott (ALB) questionnaires, which the Iraqi Government has officially discontinued. This prevents certain investments by U.S. companies.

Competition Law

The Council of Representatives passed a Competition Law and a Consumer Protection Law in 2010. However, the Competition and Consumer Protection Commissions authorized by these laws have yet to be formed. The National Investment Law is supposed to promote fair competition and “competitive capacities” in the local market. However, the NIL does not include specific competition legislation. The prominent role of SOEs in Iraq further undermines the competitive landscape.

Investment Trends

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2014	170 of 175	transparency.org/cpi2014/results
World Bank’s Doing Business Report “Ease of Doing Business”	2015	156 of 189	doingbusiness.org/rankings
Global Innovation Index	2014	N/A	globalinnovationindex.org/content.aspx?page=data-analysis
World Bank GNI per capita	2013	USD 14,930	data.worldbank.org/indicator/NY.GNP.PCAP.CD

2. Conversion and Transfer Policies

Foreign Exchange

There are no restrictions or limitations placed on foreign investors converting, transferring, or repatriating funds associated with investment in Iraq. The NIL allows investors to repatriate capital brought into Iraq, along with proceeds, in accordance with the law. Funds can be associated with any form of investment and freely converted into any world currency.

The currency of Iraq is the Dinar (IQD). Iraqi authorities confirm that in practice there are no restrictions on current and capital transactions involving currency exchange as long as underlying transactions are supported by valid documentation. The NIL also contains provisions

that allow investors to maintain accounts at banks licensed to operate in Iraq and transfer capital inside or outside of the country.

The GOI's monetary policy since 2003 has focused on maintaining price stability primarily by maintaining an informal peg between the IQD and the USD while seeking to maintain exchange rate predictability. Banks may engage in spot transactions in any currency but are not allowed to engage in forward transactions in Iraqi Dinar for speculative purposes. There are no taxes or subsidies on purchases or sales of foreign exchange. The 2015 budget limits currency sales (wire and cash) by the Central Bank of Iraq (CBI) to USD 75 million a day. However, the CBI is challenging the legality of the provision in Iraqi courts. Moreover, the budget requires the Central Bank of Iraq to collect the customs fee (a total of 8 percent of the value of the goods) whenever money is exchanged for services.

Remittance Policies

There have not been any recent changes to Iraq's remittance policies. Foreign nationals are allowed to remit their earnings, including U.S. dollars, in compliance with the Iraqi law. Iraq does not engage in currency manipulation.

Iraq is listed as a Country of Primary Concern according to the Financial Action Task Force (FATF).

3. Expropriation and Compensation

Article 23 of the Iraqi Constitution prohibits expropriation in Iraq, unless done for the purpose of public benefit and in return for just compensation. The Constitution stipulates that expropriation may be regulated by law, but specific legislation regarding expropriation has not been drafted. Article 12 of the NIL also guarantees non-seizure or nationalization of any investment project covered by the provisions of this law, except in the cases where a final judgment has been reached. Iraq's Commercial Court is charged with resolving expropriation cases. In 2003, the Government of Iraq established the Commission for the Resolution of Real Property Disputes (CRRPD) to resolve property disputes under the Saddam regime. Over the past five years, there have not been any government actions or shifts in government policy that would indicate possible expropriations in the foreseeable future. On May 6 a HETCO crane was returned to its owners by the port of Um Qasr, concluding a seven-year dispute.

In the IKR, if the KBOI determines that if investors are using land awarded under investment licenses for purposes other than those outlined in the license, it can impose fines and potentially confiscate the land. Article 17 of the IKR investment law outlines an investor's arbitration rights, which fall under the civil court system. Arbitration clauses should be written into local contracts in order to facilitate enforcement in the event of a dispute.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Iraq has a civil law system, although Iraqi commercial jurisprudence is relatively underdeveloped. During decades of war and sanctions, Iraqi courts became isolated from developments in international commercial transactions. In recent years, however, trade with foreign parties has played a more significant role in Iraq's economic growth, and Iraqi courts are beginning to see a significant increase in complex commercial cases. Contracts should be enforceable under Iraqi law. In practice, however, contract enforcement in Iraq proves problematic.

In November 2010, Iraq's Higher Judicial Council established the First Commercial Court of Iraq, a court of specialized jurisdiction for disputes involving foreign investors as part of a national strategy to improve Iraq's investment climate. This court began hearing cases in January 2011. It has jurisdiction only over cases involving foreign parties in Baghdad province. The court has received over 500 cases since its establishment. Over 350 of these cases have been adjudicated, many in as few as 30 days, since the judges are able to give their full attention to these cases. This record stands in stark contrast to general jurisdiction trial courts that receive up to 30 cases per day and do not give priority to commercial cases, thereby causing commercial cases to be delayed for months or years before a resolution is achieved. Iraqi judicial officials have since created two additional commercial courts in Najaf and Basrah. Given that all of Iraq's ministries are located in the capital, and the vast majority of commercial cases involve a foreign party and an Iraqi government agency, the Baghdad Commercial Court reviews far more commercial cases than the general jurisdiction courts in the surrounding provinces. In the IKR, commercial disputes are handled through the civil court system.

Iraq is a signatory to the League of Arab States Convention on Commercial Arbitration (1987) and the Riyadh Convention on Judicial Cooperation (1983). Iraq passed enacting legislation to join the International Centre for Settlement of Investment Dispute (ICSID Convention) in July 2013.

Iraq is considering, but has not yet signed or ratified, the convention on Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention) and the ad hoc arbitration rules and procedures established by the UN Commission on International Trade Law (UNCITRAL Model Law).

Bankruptcy

Under Iraqi law, an Iraqi debtor may file for bankruptcy, and an Iraqi creditor may file for liquidation of the debtor. Bankruptcy is not criminalized. Nevertheless, the mechanism for resolving insolvency remains opaque. Iraq ranks 189 out of 189 countries in the category of Resolving Insolvency, according to the World Bank's 2015 Doing Business Report.

Investment Disputes

Domestic arbitration is currently covered under Articles 251-276 of the Iraqi Civil Procedure Code, which governs the enforcement of arbitration agreements and awards. Article 27 of the NIL, which details the rights of Iraqis and foreigners with respect to Iraqi law, refers to dispute resolution. However, the absence of implementing regulations makes application of the law difficult.

International Arbitration

Iraqi courts are given precedence over international arbitral awards. Iraqi courts, for example, permit judges to review the merits of an internationally arbitrated case. Domestic arbitration is currently covered under Articles 251-276 of the Iraqi Civil Procedure Code, which govern the enforcement of arbitration agreements and awards. However, it was applied only to domestic arbitration until a 2012 decision in the *Ministry of Finance v. Fincantieri* case, which was issued by the Baghdad Commercial Court and affirmed by the Court of Cassation. The ruling allows courts to apply the Civil Procedure Code to international arbitration agreements and awards instead of forcing parties to waive their contractual rights to resolve their disputes outside of Iraqi courts by not recognizing international arbitration. The Baghdad Commercial Court incorporated international principles embodied in the New York Convention and the UNCITRAL model law to determine the existence of an arbitration agreement, due to ambiguity in Iraq's Civil Procedure Code. However, as a civil law jurisdiction, Iraqi courts are still limited to the unambiguous provisions of the Civil Procedure Code, which, for example, permits judges to review the merits of an arbitrated case, unlike modern arbitration regimes. Therefore, these court decisions serve only as temporary measures until such time as Iraq passes the necessary domestic law and accedes to the New York Convention.

In 2012, a committee formed by the Council of Ministers Secretariat finalized a draft domestic arbitration law, which is largely based on the UNCITRAL Model Law with several articles taken from the Egyptian domestic arbitration law. In contrast to Iraq's current arbitration provisions, the draft law requires Iraqi courts to enforce foreign arbitral awards and limits the role of courts' discretion to refuse enforcement, a fundamental component of the UNCITRAL model law. The draft law has been approved by the Iraqi Shura Council, but is still under review by the Council of Ministers. If it is approved by the Council of Ministers, it will be sent to the Council of Representatives for a vote.

ICSID Convention and New York Convention

Iraq is not a contracting state to the International Center for Settlement of Investment Disputes (ICSID Convention) or the convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention).

Duration of Dispute Resolution

There are no reliable statistics on the average length of dispute settlements in Iraq. Anecdotal reporting suggests dispute proceedings generally take a very long time given Iraq's lack of

capacity to handle complex commercial litigation. Opaque procedures, lengthy court proceedings, and frequent delays hinder judicial processes.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

Iraq has observer status with the World Trade Organization (WTO).

Investment Incentives

The NIL states that both domestic and foreign investors qualify equally for investment incentives. The NIL also allows investors to repatriate capital brought into Iraq, along with proceeds, in accordance with the law. Foreign investors are able to trade in shares and securities listed on the Iraqi Stock Exchange. In principle, the law also allows investors who have obtained an investment license to enjoy exemptions from taxes and fees for a period of ten years. Hotels, tourist institutions, hospitals, health institutions, rehabilitation centers, and scientific organizations also are granted additional exemptions from duties and taxes on their imports of furniture and other furnishings. The exemption increases to fifteen years if Iraqi investors own more than 50 percent of the project.

Foreign and domestic companies may also be exempted from paying profit tax if they have contracts with the GOI to execute projects within the National Investment Plan, which is prepared annually by the Ministry of Planning. The GOI ministries overseeing investment projects are responsible for providing updates for the list of investment contracts to the Tax Commission in the Ministry of Finance. Companies (foreign and domestic) that have registered businesses in order to execute contracts outside the National Investment Plan do not receive tax exemptions. However, in some exceptions, GOI entities have negotiated partial or short-term tax exemptions for companies as part of a project contract.

Petroleum contracts signed by the Ministry of Oil are not included on this list. Profit Tax language is included in GOI petroleum contracts and applies to each consortium and its partners. Contract language was ratified by Council of Representatives and supersedes the Tax Code. Secondary contracts issued by consortiums holding primary petroleum contracts are treated differently. The consortium is required to withhold 7 percent from secondary contracts for remittance to the GOI. Companies pay a profit tax in the amount of 15 percent unless they operate in the oil sector where a 35 percent tax profit rate applies. Defining the activities which constitute “petroleum activities” (and are thus subject to 35 percent vs. 15 percent tax rate) is a gray area subject to interpretation. Any business or individual considering doing business in Iraq should obtain competent Iraq tax advice from an accountant or attorney. Tax treatment for petroleum contracts issued by the KRG is unknown since those contracts have not been ratified by the Council of Representatives.

Under the IKR’s investment law, foreign and national investors are treated equally and are eligible for the same benefits. Foreign investors may choose to invest in the IKR with or without local partners, and full repatriation of profits is allowed. While investors have the right to employ foreign employees in their projects, priority is given to awarding projects that employ a

high share of local staff and ensure a high degree of knowledge transfer. Additionally, the law allows an investor to transfer his investment totally or partially to another foreign investor with the approval of the KBOI.

Research and Development

Not applicable.

Performance Requirements

The NIL states that priority in employment and recruitment shall be given to Iraqis. However, international companies have noted that Iraq lacks a skilled labor force, and the country has a need for human resource development. With a lack of skilled workers, foreign investors often rely on foreign workers. However, there are labor-related requirements for foreign companies employing Iraqi or third-country nationals. Furthermore, foreign investors are expected to help train Iraqi employees to increase their efficiency, skills, and capabilities. In the IKR, hiring locally is encouraged, but not mandated by either the KRIL or the 2011 Employment Policy of the KRG Ministry of Labor and Social Affairs. In the IKR, foreign employees can legally perform their duties based on their residency permits; no work permit is required. Some companies have reported prolonged delays in obtaining necessary residency permits for foreign workers. Additional clearances are required in order to appoint foreign nationals as managers of foreign limited liability companies.

Visa requirements for foreign investors vary. In 2015, the Council of Ministers officially lifted HIV testing requirements for foreign travelers, but many travelers report that they are still required to undergo HIV tests. Once in Iraq, foreign investors and employees must obtain work permits, and the process for doing so is often lengthy and often unpredictable. There are frequent instances when work is delayed because foreign employees are unable to receive a visa. The KRG does not require HIV tests or a visa if the travel is shorter than 15 days. However, domestic travel outside of the IKR will require compliance with GOI requirements.

Data Storage

The GOI does not follow any forced localization policy in which foreign investors must use domestic content in their goods and technology. There are no requirements for IT providers to turn over source code and/or provide access to surveillance.

6. Right to Private Ownership and Establishment

Foreign investors in Iraq are able to own commercial enterprises and investment portfolios in shares and securities. In specified circumstances foreign entities can buy or lease land. The Companies Law No. 21 of 1997 and regulation No. 5 of 1989 provide the legal framework for foreign investors to establish or participate in Iraqi companies. However, prior approvals from competent Iraqi government entities are required in advance for certain sectors, such as oil, defense, insurance, and banking. For example, the establishment of a company engaged in oil services will require the prior approval of the Ministry of Oil. The Companies Law applies in

the IKR, although company registration procedures may differ. The NIC has an office dedicated to facilitating and expediting permits and licenses for foreign invested businesses.

Foreign limited liability companies (LLC), branch, and representative offices are currently considered the most attractive legal forms for foreign investors to set up a presence in Iraq. The timeline to receive the Ministry of Interior's approval to establish an LLC is estimated at three to six months for most foreign investors, although in certain cases it takes longer. Additional clearances are required to appoint foreign nationals as managers of LLCs. The Ministry of Trade's (MOT) Company Registration Office issues the registration certificate following this approval. In the IKR, registering an LLC is estimated to take two to four weeks.

Branch offices may only be opened by companies that have a government contract or a contract with a prime contractor of the Iraqi government, except in the IKR, where the KRG Company Registration Office does not require a government contract for the registration of a branch company as long as the parent company has existed for at least one year and can demonstrate profitability. Representative offices may engage in business development and marketing, but they cannot engage in other business activities in Iraq. If a representative office is awarded a contract, the entity can then register as a branch office. It takes approximately one to two months to register a branch or representative office.

7. Protection of Property Rights

Real Property

Prior to the 2009 amendment to the NIL, Iraqi law did not allow foreigners to own land. The amended NIL allows foreign interests to own land in Iraq for the express purpose of developing residential real estate projects. Additionally, the amendment sought to clarify the land use aspect of the NIL, in which foreign investors are permitted to rent or lease land for up to fifty years, with a possible option to renew. In December 2010, the GOI approved implementing regulations to the NIL, in the form of a Prime Ministerial decree (regulation seven). The regulations allow investors to obtain land for residential housing projects free of charge on the condition that land value is excluded from the sales price. The decree requires the Department of Real Estate to revoke the land registration from domestic or foreign investors who do not carry out the obligations of their agreement.

For non-residential, commercial investment projects—including agriculture, services, tourism, commercial, and industrial projects—the decree allows for leasing and allocation of government land, but not ownership. The terms and duration of these leases will vary, depending on the type of project and negotiations between the parties. Land for non-residential projects will be leased free of initial down payment, and compensation will be either a percentage of pre-tax revenue or a specified percentage of the “rent allowance” for the land. These smaller percentages of the “rent allowance” rate—ranging from one to 25 percent—amount to significant rent reductions for leased land, as specified by type of investment project in the decree. Iraqi authorities are still in the process of interpreting these regulations and applying them to specific licensees.

In the IKR, foreign land ownership is allowed under Law Number 4 of 2006. The KBOI initially awarded more than half of all investment licenses to housing projects, though the lack of a clear

sector strategy and speculation in housing properties prompted the board to freeze all new investment licenses issued in the sector in mid-2012. Investment licenses that include land ownership are more likely to be issued in the KBOI's priority sector development areas of agriculture, industry, and tourism. However, issues regarding timely transfer of land title have sometimes slowed projects.

Mortgages and liens exist in Iraq, and there is a national record system. However, mortgages are not common. Iraq ranks 109 out of 189 countries on the World Bank's "registering property" index.

Intellectual Property

Legal structures that protect intellectual property (IP) rights in Iraq are inadequate, and infringements are common. There is a significant presence of counterfeit products in the Iraqi marketplace. According to a 2014 study by the Business Software Alliance on self-reported piracy, 86 percent of Iraq's software was unlicensed in 2013. Both private and state-owned enterprises have reported losing tenders to competitors who stole their blue-prints. These complaints pertained to tenders in the oil, housing, and construction sectors. During the past year, no new IP-related laws or regulations have been enacted. The GOI attempts to track seizures of counterfeit medicines. Reporting is inconsistent.

The GOI's ability to enforce IP protections remains weak, and IP responsibilities are currently spread across several ministries. The Ministry of Culture handles copyrights, and the Ministry of Industry and Minerals houses the office that registers trademarks. The Central Organization on Standards and Quality Control (COSQC), an agency within the Ministry of Planning, handles patent registry and the industrial design registry. The Ministry of Planning's patent registry office has occasionally included Arab League Boycott questionnaires in the patent registry application. U.S. companies are not allowed under U.S. law to complete Arab League Boycott questionnaires.

The GOI is in the process of developing a new IP law to comply with the WTO Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS). The draft law covers patents, trademarks, and copyrights. If enacted and accompanied by strong implementing regulations, the new law would help consolidate IP protection functions into a "one-stop" IPR office. Although the new draft would offer adequate statutory IPR protections, it has been stalled in the legislative review process since mid-2007.

The U.S. Government is continuing efforts to bolster understanding of intellectual property rights and build GOI capacity to protect them. In June 2012, the Federal Court of Cassation, the highest civil court in Iraq, upheld a finding by the Baghdad Commercial Court that ruled in favor of a U.S. firm in a trademark dispute, setting a positive precedent for IP protection in Iraq. The Commercial Court has jurisdiction over commercial disputes that involve at least one foreign party and disputes over various commerce-related issues including trade, real estate, banking, trademarks and intellectual property, transportation, and other areas. It was established in November 2010 under the Higher Judicial Council with the assistance of the Department of Commerce Commercial Law Development Program, which provided technical assistance and training to Iraqi judges who serve on the court.

Iraq is a signatory to several international intellectual property conventions and to regional or bilateral arrangements, which include: 1) Paris Convention for the Protection of Industrial Property (1967 Act), ratified by Law No. 212 of 1975; 2) World Intellectual Property Organizations (WIPO) Convention, ratified by Law No. 212 of 1975. Iraq became a member of the WIPO in January 1976; 3) Arab Agreement for the Protection of Copyrights, ratified by Law No. 41 of 1985; and 4) Arab Intellectual Property Rights Treaty (Law No. 41 of 1985).

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>.

Resources for Rights Holders

A copy of the public list of local lawyers can be obtained by emailing BaghdadACS@state.gov.

8. Transparency of the Regulatory System

Iraq's commercial and civil laws generally fall short of international norms. There are few provisions regarding commercial competition. The NIL does not establish a full legal framework governing investment. Furthermore, potential investors still face laws, regulations, and administrative procedures that continue to make Iraq's overall regulatory environment relatively opaque. The National and Provincial Investment Commissions have been active in assisting regional investors. However, NIC and PIC Commissioners and their staff often lack training and expertise, and are still building their operations to serve as effective "one-stop shops" to ease investors' entry into the Iraqi market. As the GOI continues on the path to decentralization, local authorities could gain influence over local tendering and procurement. Local provincial staff similarly lack capacity and training to implement and enforce complex commercial regulations.

The absence of other laws in areas of interest to foreign investors also creates ambiguity. Iraq's Legislative Action Plan for the Implementation of WTO Agreements – the legislative "road map" for Iraq's eventual WTO accession – requires competition and consumer protection laws that are critical for leveling the business playing field. The Council of Representatives passed a Competition Law and a Consumer Protection Law in 2010; however, the Competition and Consumer Protection Commissions authorized by these laws have yet to be formed. Without these Commissions, investors do not have recourse against unfair business practices such as price-fixing by competitors, bid rigging, or abuse of dominant position in the market.

The way in which the Iraqi government promulgates regulations can be opaque and lends itself to arbitrary use. Regulations imposing duties on citizens or private businesses are required to be published in the official government gazette. However, there is no corresponding requirement for the publication of internal ministerial regulations. This loophole allows bureaucrats to create internal requirements, procedures, or other turnstiles with little or no oversight, which can result in additional burdens for investors and other businesspersons.

In the IKR, the KRG adopted a Consumer Protection Law through its passage of Law Number 9 of 2010. In the IKR, investors sometimes find it challenging to de-conflict seemingly opposing regulations from relevant stakeholder ministries and investment entities. The emergence of new regulations with little advance notice, as well as requirements related to investment guarantees,

have also slowed projects. While the KRIL does not stipulate that a local partner is necessary to acquire an investment license, government officials sometimes encourage this practice.

Accounting, legal, and regulatory procedures are opaque, inconsistent, and generally do not meet the standard of international norms. Draft bills, including investment laws, are not available for public comment.

The GOI encourages private sector associations, and the Iraqi government is actively trying to promote a private banking association. Nevertheless, private sector associations are generally not very influential, given the dominant role of SOEs in Iraq's economy.

9. Efficient Capital Markets and Portfolio Investment

The NIL allows foreign investors to exchange shares and securities listed in the Iraqi Stock Exchange (ISX), and the GOI welcomes foreign portfolio investment.

Iraq remains one of the most under-banked countries in the Middle East. The Iraqi banking system includes seven state-owned banks, with the three largest (Rafidain Bank, Rasheed Bank, and Trade Bank of Iraq) accounting for about 96 percent of banking sector assets. The Council of Representatives passed a provision in the 2015 budget limiting the volume of cash sales conducted by the CBI to USD75 million a day, further limiting liquidity in the market. The CBI has publicly rejected this provision, and the case is currently being litigated in Iraqi courts. However, the sales of dollars by the CBI have declined significantly in 2015, compared to 2014 volumes. Nearly 20 foreign banks either have licensed branches in Iraq or have strategic investments in Iraqi banks. By law, the Central Bank may only exchange currency to be used for purchases of legitimate goods and services.

Credit is difficult and expensive to obtain in Iraq. Although the volume of lending by privately owned banks is growing, most privately-owned banks do more business providing wire transfers and other fee-based transaction services than lending. Businesses therefore largely self-finance or obtain credit from individuals in private transactions. Financial transfers from the government to provincial authorities or individuals, rather than business loans, represent the major activity of the state-owned banks. Iraq's economy remains primarily cash-based.

The Trade Bank of Iraq (TBI) was established as an independent government entity under CPA Order No. 20 in 2003. The TBI's main purpose is to provide financial and related services to facilitate trade, particularly through letters of credit (LCs). In 2009, the Ministry of Finance opened the government LC market by granting private banks permission to issue LCs below USD4 million. The ceiling was later raised to USD10 million. Virtually all government LCs are processed by the TBI, which has stated that it transfers a number of LCs under USD5 million to private banks.

Money and Banking System, Hostile Takeovers

The GOI has had limited success reforming its two largest state-owned banks, Rafidain and Rasheed. Private banks are mostly active in currency exchanges and wire transfers. It is clear that Rafidain and Rasheed Banks are non-performing, but the extent of their financial

commitments is unknown. The CBI is Iraq's central bank, headquartered in Baghdad, with branches in Basrah and Mosul (the latter of which was captured by ISIL in 2014). The CBI also has branches in Erbil and Sulaimaniyah, which are managed by the Kurdistan Regional Government and have limited interaction with the Baghdad CBI. The Iraqi Kurdistan Region also has a separate "public" banking system connected to the regional government. Iraq has also been working to address the concerns of the FATF over its lack of adequate AML/CFT regulations. The GOI is currently working to adopt an updated AML/CFT law in order to address a number of deficiencies laid out by the FATF.

10. Competition from State-Owned Enterprises

State-owned enterprises (SOEs) are active across all the sectors in Iraq. GOI ministries currently own and operate over 192 SOEs, a legacy of the state planning system. Because of their government sponsorship, Iraqi SOEs largely are unproductive, and the GOI's continued support of unprofitable entities poses a substantial fiscal burden on Iraq. These firms employ over 800,000 Iraqis, many of whom are underemployed. The degree to which SOEs compete with private companies varies by sector; SOEs face the most competition in the market for consumer goods. The current Iraqi government has expressed a commitment to reforming the SOEs and taking steps toward privatization.

Law 22 of 1997 and the NIL provide the regulatory framework for the operations of SOEs and joint ventures between foreign companies and SOEs. Law 22 is complex, and several articles are ambiguous regarding the rights and privileges that SOEs enjoy. Article 15.3 of Law 22 allows Iraqi SOEs to engage in partnership agreements or joint ventures with foreign companies. However, the lack of clarifying regulations has created difficulty in implementation. Ministries have faced challenges in reviewing partnership agreements without sufficient criteria to determine if the agreements would be effective or successful. When parent ministries wish to initiate a joint partnership for an SOE under their purview, they generally advertise the tender on their ministry's website. Joint partnerships are negotiated on a case-by-case basis, and the minister's approval is required. The Ministry of Industry and Minerals (MIM), which oversees 80 percent of Iraq's SOEs, received the Council of Ministers' approval in 2013 to institute the following requirements for joint partnerships: 1) change the required minimum duration to three years; 2) add a requirement that the foreign company register a company office in Iraq; and 3) add a requirement that the foreign company participate in the production of goods.

According to the Prime Minister's Advisory Council, foreign companies have faced challenges in joint partnerships because the GOI sometimes cut subsidies to the SOE after partnerships were formed, the employment policies and salary decisions were dictated by the parent ministry, and gaps between the GOI's official policy and practices affected their bottom line. In addition, the MIM has often required that the foreign investor pay all SOE employees' salaries regardless of whether they are working on the agreed project.

GOI entities are required to give preferential treatment to SOEs under multiple laws. A 2009 Council of Ministers' decision requires all Iraqi government agencies to procure goods from SOEs unless the SOE cannot fulfill the quality and quantity requirements of the tender. A Board of Supreme Audit decision requires government agencies to award SOE tenders if the SOE's bid is no more than 10 percent higher than other bids. Furthermore, some GOI entities, including

the MIM, have also issued their own internal regulations requiring tenders to select Iraqi SOEs, unless the Iraqi SOE states that it cannot fulfill the order. SOEs receive research and development subsidies. The foreign firm must form a partnership with an Iraqi firm to fulfill tenders promulgated by SOEs.

Under Article 16 of the 2008 Regulations for Implementing Government Contracts (Law No. 1), SOEs are exempt from bid bond and performance bond requirements. State-owned banks have provided SOEs with approximately USD 11 billion in loans in order to finance salaries since 2003, although many SOEs that received these loans were unable to repay; SOEs also receive research and development subsidies. While the Iraqi budget outlines the funds that the SOEs will receive, both for operational costs as well as for salary payments, the SOEs do not always receive the exact figure allocated. As a result of years of sanctions and war, most of these SOEs suffer from underinvestment or actual physical damage. Many of them are not commercially viable due to bloated payrolls and obsolete equipment, although some have adapted and are producing goods for the domestic market.

Foreign-owned private enterprises are not allowed to own land outright. In the IKR, private investors are allowed to own land.

In 2010, the Prime Minister approved a national policy of corporatization of SOEs based on a “Road Map” derived from international best practices, but implementation has been slow. In 2012, the Ministry of Finance established an Asset Valuation Unit, which was later expanded to an Asset Valuation Department. However, the Department is still in development and is struggling to build its operational capacity. Several SOEs have been paired with private foreign consultants to make them commercially viable. Under this pilot project, SOEs are obligated to introduce the consultants’ recommended changes. While the ultimate goal of this reform process is to partially or completely privatize SOEs, their fate will be decided on a case-by-case basis. The pilot project group includes SOEs in the construction, housing, and water resources sectors, and the SOEs were selected for their potential to become viable based on indicators such as payrolls that were less bloated than average. In 2015, the MIM developed a plan to restructure the ministry’s 59 SOEs. Under the proposed plan, the MIM would rate SOEs based on their profitability and degree of government dependence. Unprofitable SOEs that are unable to cover payroll obligations would be sold or shutdown. The timeline for this project is still unclear. The GOI is planning to create a Business Development Center to which “excess” SOE employees would be transferred. This center, managed by the MIM, would have branches in provinces that have SOEs.

OECD Guidelines on Corporate Governance of SOEs

Articles 20-25 of Law 22 specify the selection process of an SOE’s Board of Directors. The law includes provisions to introduce a degree of autonomy. For example, it requires that the minister’s sole appointment to the Board of Directors receive the approval of an “Opinion Board.” Nevertheless, in practice, the majority of board members have close personal and political connections to the parent ministry’s leadership.

SOEs do not adhere to OECD Guidelines. SOEs are required to seek their parent ministry’s approval for three categories of financial decisions and operation expansions. However, in

practice, SOEs defer to the parent ministry for the vast majority of decisions. SOEs submit financial reports to their parent ministry's audit departments and the Board of Supreme Audit. These reports are not published and, at times, exclude salary expenses.

Third party market analysts regard SOEs as strongly tied to the government. According to the Baghdad Commercial Court, more than 30 percent of cases are decided against Iraqi sovereign agencies.

Sovereign Wealth Funds

Iraq does not have a sovereign wealth fund.

11. Corporate Social Responsibility

The international oil companies active in Iraq are required to observe international best practices in corporate social responsibility (CSR) as part of their contracts with the GOI. As conditions improve, awareness of CSR is likely to increase beyond the oil sector.

In the IKR, oil companies are mandated in their production sharing contracts with the KRG to give back to the communities in which they work. Agreements require yearly payments, from which the KRG Ministry of Natural Resources (MNR) then allocates funds for capacity-building projects.

The GOI lacks strong labor, employment rights, consumer protection, and environmental protection laws. Enforcement of existing laws is limited and opaque.

OECD Guidelines for Multinational Enterprises

Not applicable.

12. Political Violence

ISIL and numerous insurgent groups remain active in Iraq, and terrorist activity and violence persists in many areas of the country. ISIL controls Mosul, Iraq's second largest city, as well as significant territory in northern, western, and central Iraq, particularly along the Tigris and Euphrates valleys, and the terrorist group continues to attack Iraqi security forces in those areas. The Kurdistan Regional Government and western interests in the IKR are also targeted. In addition, several Iran-affiliated armed militia groups, such as Kata'ib Hizballah (KH) and Asa'ib Ahl al-Haq (AAH), are operating throughout Iraq and may present a threat to U.S. citizens.

The U.S. Government considers the potential threat to U.S. Government personnel in Iraq to be serious enough to require them to live and work under strict security guidelines. All U.S. government employees under the authority of the U.S. Chief of Mission must follow strict safety and security procedures when traveling outside the Embassy and Consulates. State Department guidance to U.S. businesses in Iraq advises the use of protective security details. Some U.S. and third-country business people travel throughout much of Iraq; however, their movement is restricted and they generally travel with security advisors and protective security teams.

13. Corruption

Public corruption is a major obstacle to the development of Iraq's economy and to political stability. There are three principal institutions specifically designated to address the problem of corruption in Iraq. CPA Order 57 established Inspectors General (IGs) for each of Iraq's ministries. Similar to the role of IGs in the U.S. Government, these offices are responsible for inspections, audits, and investigations within their ministries. The Commission of Integrity (COI), initially established under the Coalition Provisional Authority (CPA), is an independent government agency responsible for pursuing anti-corruption investigations, upholding enforcement of laws, and preventing crime. The COI investigates government corruption allegations and refers completed cases to the Iraqi judiciary. COI Law No. 30, passed in 2011, updated the CPA provisions by granting the COI broader responsibilities and jurisdiction through three newly created directorates: Asset Recovery, Research and Studies, and the Anti-Corruption Academy. None of these organizations is an effective check on public corruption.

The Board of Supreme Audit (BSA), established in 1927, is an analogue to the U.S. Government's General Accountability Office. It is a financially and administratively independent body that derives its authority from Law 31 of 2011 – The Law of the Board of Supreme Audit. It is charged with fiscal and regulatory oversight of all publicly funded bodies in Iraq. In October 2012, several amendments to the BSA's authorizing legislation, including a name change to the Federal Board of Supreme Audit (FBSA), gave it jurisdiction over audits of all federal revenues, including any revenues received from the IKR.

Neither the COI nor the IGs have effective jurisdiction within the IKR. The Kurdistan Board of Supreme Audit audits regional revenues with Iraqi Kurdistan Parliament (IKP) oversight. The IKP passed the Commission on Public Integrity (Law Number 3) of 2011, which established a regional Commission of Integrity (KCOI) that began its work in late 2013. The IKP passed an amendment to the law in May 2014 that gave the KCoI increased jurisdiction over other branches of government, and made the KCoI responsible for investigating money laundering. The Commission launched an initiative in early 2014 to collect financial declaration forms from public officials at the director general level and above. They received a 95 percent response rate and have begun to check the disclosure documents against other public records. The Commission's office, located in Erbil, is divided into four sections – prevention and transparency, legal and investigative affairs, finance and administration, as well as the Office of the Commissioner.

The Prime Minister formed a committee in January 2015 to approve and coordinate anti-corruption efforts (Coordinating Committee) that includes the COI Acting Commissioner, the Minister of Finance, the Minister of Planning, the Board of Supreme Audit President, and the Council of Ministers Secretary (COMSEC) Secretary General. However, the committee did not meet during its first five months. The COI developed a 2014-2018 National Anti-Corruption Strategy to guide anti-corruption institutions and all GOI ministries and organs in preventing, deterring, and counteracting corruption at all levels, following the earlier GOI 2010-2014 strategy. The Commission of Integrity forwarded this strategy to the coordinating committee in mid-April. The strategy includes legal reforms and an appendix for every Iraqi institution that provides examples of how to report corruption issues, deadlines for action, and oversight and implementation agencies.

Iraq's existing Anti-Money Laundering/Counter Terrorism Financing (AML/CTF) regime is inadequate, and international financial institutions frequently cite this as a major impediment to starting or increasing operations in Iraq. The country's financial system needs a major overhaul of its anti-money laundering regime to meet the Middle East North Africa Financial Action Task Force (MENAFATF) standards. Iraq joined MENAFATF in 2005, and underwent its first ever Mutual Evaluation (ME) in 2012. The ME team was led by World Bank experts early in 2012 to determine if the GOI conformed to the international standards stated in the 40-plus-9 recommendations issued by FATF; the Mutual Evaluation Report (MER) on Iraq was published in November 2012. According to a February 2014 International Cooperative Review Group (ICRG) statement, Iraq has made a high-level political commitment to work with the FATF and MENAFATF to address its remaining strategic AML/CTF deficiencies, including through a draft law. The war on ISIL has prevented GOI from fully executing its plans. According to the ICRG, Iraq should continue to work on implementing its action plan to address these deficiencies, including by: (1) adequately criminalizing money laundering and terrorist financing; (2) establishing and implementing an adequate legal framework for identifying, tracing, and freezing terrorist assets; (3) establishing effective customer due diligence measures; (4) establishing a fully operational and effectively functioning financial intelligence unit; (5) establishing suspicious transaction reporting requirements; and (6) establishing and implementing an adequate AML/CTF supervisory and oversight program for all financial sectors.

In theory, anticorruption laws apply to all citizens of Iraq. In practice, there are many anecdotal accounts that suggest government officials and their family members are frequently involved in corrupt practices. According to UNDP data, 95 percent of bribery incidents go unreported. While large-scale investment opportunities exist in Iraq, particularly for sophisticated investors, corruption remains a significant impediment to conducting business, and investors can expect to contend with it in many forms. While the GOI has moved toward greater effectiveness in reducing opportunities for procurement corruption in sectors such as electricity, oil, and gas, credible reports of corruption in government procurement are widespread, with examples ranging from bribery and kickbacks to awards involving companies connected to political leaders. Investors may come under pressure to take on well-connected local partners to avoid systemic bureaucratic hurdles to doing business. Similarly, there are widespread reports of corruption involving government payrolls, ranging from ghost employees and salary skimming to nepotism and patronage in personnel decisions. Moving goods into and out of the country continues to be difficult, and bribery of port officials is reportedly common; Iraq ranks 178 out of 189 countries in the category of Trading Across Borders in the World Bank's 2015 Doing Business report. Iraq ranked 170 out of 175 countries on Transparency International's 2014 Corruption Perceptions Index. Iraq also ranked in the eighth percentile of the World Bank's 2012 Control of Corruption Index.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Iraq is a party but not a signatory to the UN Anticorruption Convention. Iraq is not party the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

Resources to Report Corruption

According to Iraqi law, any person or legal entity has the right to submit corruption-related complaints to the COI or the Inspector General of the GOI ministry or body engaging in corruption.

Commission for Integrity
Department of complaints and reports
Mobile: 07901988559
Landline: 07600000030
Hotline@nazaha.iq

14. Bilateral Investment Agreements

Iraq does not have a BIT with the United States. The U.S.-Iraq Strategic Framework Agreement (<http://photos.state.gov/libraries/iraq/216651/US-IRAQ/us-iraq-sfa-en.pdf>) provides forums to address impediments to investment and trade through Joint Coordination Committees on 1) Trade and Finance; 2) Energy; and 3) Services, Technology, Environment, and Transportation. On May 31, 2013, the Trade and Investment Framework Agreement (TIFA) between the Governments of Iraq and the United States entered into force and the inaugural TIFA Council meeting took place in March 2014 in Washington D.C. The TIFA provides a framework for dialogue to increase trade and investment cooperation between the two countries.

Iraq is a signatory to investor protection agreements or memorandums of understanding with 35 bilateral partners and nine multilateral groupings. The agreements include arrangements on Investments Promotion and Protection (IPPA) within the Arab League, as well as arrangements with Afghanistan, Bangladesh, India, Iran, Japan, Jordan, Kuwait, Germany, Mauritania, Republic of Korea, Sri Lanka, Syria, Tunisia, Turkey, the United Kingdom, Vietnam, and Yemen. In 2010, Iraq concluded BITs with France, Germany, and Italy; the BITs with France and Germany were ratified by the Iraqi Council of Representatives in 2012, while the BIT with Italy has yet to be ratified. In 2012, the GOI concluded a bilateral investment agreement with Armenia, and it concluded new investment agreements with Jordan and Kuwait in 2013. The Council of Ministers approved the agreements with Jordan and Kuwait in March 2014, and forwarded them to the Council of Representatives for ratification. Iraq's investment agreements include general provisions on promoting and protecting investments, including clauses on profit repatriation, access to arbitration and dispute settlements, fair expropriation rules, and compensation for losses. However, the Iraqi government's ability and willingness to enforce such provisions remains untested. Additionally, Iraq has bilateral free trade (FTA) agreements with the following 11 countries: Algeria, Egypt, Jordan, Lebanon, Oman, Qatar, Sudan, Syria, Tunisia, Yemen, and the United Arab Emirates. Iraq is also a signatory to several multilateral agreements, including the 1982 "Taysir" trade agreement with Arab countries.

Bilateral Taxation Treaties

In 2014, Iraq reached an agreement in substance with the Foreign Account Tax Compliance Act (FATCA), and consented to be included on the public Internal Revenue Service list.

15. OPIC and Other Investment Insurance Programs

The Overseas Private Investment Corporation's (OPIC) current outstanding obligation in Iraq in loans and insurance totals USD86 million with an additional USD27 million in other project commitments. There are other projects currently under consideration, primarily in the health care and tourism sectors. On June 24, 2013, the Investment Incentive Agreement (IIA) between the United States and the GOI entered into force, thereby formally establishing the necessary conditions for OPIC to provide financing and political risk insurance in Iraq. Previously, OPIC offered its programs in Iraq on a temporary basis through a Congressional waiver of OPIC's statutory IIA requirement. The IIA provides long-term certainty to the availability of the full range of OPIC investment support programs, which can facilitate increased U.S. investment in Iraq. OPIC is currently involved in two projects in the IKR, as well as providing funding for a small and medium-sized enterprise credit organization.

16. Labor

Domestic and foreign investors often cite the lack of skilled Iraqi labor as one of the major impediments to investing in Iraq. In 2014, the UNDP estimated the unemployment rate at 11 percent, with youth unemployment (18–24 years) at 18 percent. According to UNDP data from 2014, the government accounted for 40 percent of all jobs; with a higher percentage in urban areas (45 percent) than in rural areas (28 percent). Those not employed in the public sector were either employed by the private sector, worked on the informal economy, or were unemployed. While accounting for 65 percent of Iraq's GDP, the oil sector currently employs only 1 percent of the total labor force. The war against ISIL and the displacement of more than two million Iraqis has disrupted local employment, although reliable data is not available. Unemployment among Iraqi youth with higher education is above the national youth unemployment average, according to the UNDP 2014 data. There is a general shortage of skilled labor across all industries and sectors.

The NIL states that priority in employment and recruitment shall be given to Iraqis. However, international companies have noted that Iraq lacks a skilled labor force, and the country has a need for human resource development. With a lack of skilled workers, foreign investors often must rely on foreign workers. However, there are labor-related requirements for foreign companies employing Iraqi or third-country nationals. Furthermore, foreign investors are expected to help train Iraqi employees to increase their efficiency, skills, and capabilities. In the IKR, hiring locally is encouraged, but not mandated by either the KRIL or the 2011 Employment Policy of the KRG Ministry of Labor and Social Affairs. In the IKR, foreign employees can legally perform their duties based on their residency permits; no work permit is required. Some companies have reported prolonged delays in obtaining necessary residency permits for foreign workers.

The constitution states that citizens have the right to form and join unions and professional associations, but it does not permit independent unions. Contradictory laws from the Saddam Hussein era prohibit collective bargaining. The law barring unions from holding funds, collecting dues, and maintaining assets, in addition to the prohibition on formal labor unions outside the General Federation of Iraqi Workers, deprived workers of the freedom of association. Iraqi labor law also remains weak. While it provides for some workers' rights, these rights are

not respected in practice. The law also regulates working conditions and prohibits all forms of forced or compulsory labor, including by children, but the GOI has not effectively monitored or enforced the law, which has resulted in unacceptable working conditions for many workers. Iraq continues to face a high level of violence and insecurity, high unemployment, a large informal sector, and lack of satisfactory work standards. The existing Saddam-era labor law, which also applies to the IKR, addresses working conditions for foreign expatriate workers and establishes rules governing working hours. A law more consistent with current international standards was drafted with the assistance of the International Labor Organization (ILO) and approved by the Shura Council in 2010, but remains stalled in the Council of Representatives.

Iraq is a party to both ILO conventions related to youth employment, including child labor. The Ministry of Labor and Social Affairs (MOLSA) sets a minimum monthly wage for unskilled workers. In addition, according to Iraqi law, all employers must provide some level of transport, accommodation, and food allowances for each employee. The law does not fix these allowance amounts.

17. Foreign Trade Zones/Free Ports/Trade Facilitation

The Free Zone Authority Law No. 3/1998 (FZL) permitted investment in Free Zones (FZ; similar to a U.S. Foreign Trade Zone) through industrial, commercial, and service projects. This law is implemented through the Instructions for Free Zone Management and the Regulation of Investors' Business No. 4/1999 and is administered by the Free Zones Commission in the Ministry of Finance. Under the law, capital, profits, and investment income from projects in an FZ are exempt from all taxes and fees throughout the life of the project, including in the foundation and construction phases. Goods entering into Iraqi commerce from FZs are subject to normal import tariffs tariff; no duty is leveled on exports from FZs.

Activities permitted in Free Zones include: (a) industrial activities such as assembly, installation, sorting, and refilling processes; (b) storage, re-export, and trading operations; (c) service and storage projects and transport of all kinds; (d) banking, insurance, and reinsurance activities; and (e) supplementary and auxiliary professional and service activities. Prohibited activities include actions disallowed by other laws in force, such as weapons manufacture, environmentally-polluting industries, and those banned because of place of origin.

Four geographic areas are currently designated as Free Zones. The Basrah/Khor al-Zubair Free Zone is located 40 miles southwest of Basrah on the Arab Gulf at the Khor al-Zubair seaport. This area has been operational since June 2004. The Ninewa/Falafel Free Zone is located in the north, near roads and railways that reach Turkey, Syria, Jordan, and the Basrah ports. The Al-Qa'im Free Zone is on the Iraqi-Syrian border. An undeveloped zone in Fallujah is in the planning stages. However, none of these areas is operating as a significant focal point for investment or trade. The Falafel, Al Qaim, and Fallujah zones are all located in ISIL-held areas, so further development in the near future remains unlikely. The Free Zone Commission lacks capacity and is further inhibited by its being placed under the Ministry of Finance, which lacks a specific mandate to develop the FZs. In the IKR, there are currently no free zones, although a proposal to establish a free zone in each of the three IKR provinces is under consideration for approval by the Kurdistan Regional Government.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Iraq does not collect reliable statistics on foreign direct investment. The GOI collects and publishes limited statistics with which to compare international and U.S. investment data.

The National Investment Commission (NIC) and Provincial Investment Commissions (PIC) granted 25 licenses in 2013, which were the latest statistics available, with a total potential value of USD 2.6 billion. These licenses were for projects in Baghdad in addition to Basrah, Muthanna, Dhi Qar, Najaf, and Babil provinces. Approximately half of these licenses were for housing development projects, a third were for industrial projects, and the remainder was for service and agricultural projects. However, an investment license from the NIC or a PIC does not guarantee that the proposed investment will be implemented. The total potential value of all licenses granted by the NIC and PICs is approximately USD 50 billion.

In the IKR, the KBOI granted 128 licenses in 2014, with a total potential value of USD 4.2 billion. The granting of a license by the KBOI does not guarantee that the proposed investment will be implemented. Most of the investment licenses issued by the KBOI in 2014 (71 percent) were for projects in the province of Erbil. The total potential value of all KBOI licenses granted from 2006 through January 2015 is USD 41.88 billion. The KBOI granted the most licenses to housing development projects (32.5 percent), followed by industrial projects (30.5 percent), and tourism industry projects (15.7 percent).

The Ministry of Oil confirmed investment costs in oil production reached USD 20 billion in 2013. Since the Iraqi government is contractually obligated to reimburse oil companies for these expenditures and, therefore, is the owner of the equipment, it is considered government investment rather than FDI. Real estate remains the largest non-oil area of foreign participation in Iraq's economy.

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

Economic Data	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (\$B USD)	2012	192.9	2013	229.3	www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (\$M USD, stock positions)	N/A		2013	1,823	http://bea.gov/international/factsheet/factsheet.cfm?Area=503
Host country's FDI in the United States (\$M USD, stock positions)	N/A		2013	N/A	http://bea.gov/international/factsheet/factsheet.cfm?Area=503
Total inbound stock of FDI as % host GDP	N/A		N/A		

*Ministry of Planning Central Statistical Organization

Table 3: Sources and Destination of FDI

IMF Coordinated Direct Investment Survey data are not available for Iraq.

Table 4: Sources of Portfolio Investment

IMF Coordinated Portfolio Investment Survey data are not available for Iraq.

19. Contact for More Information

- Embassy Baghdad Economic Section
- Al-Kindi Street, International Zone, Baghdad
- Office: +1-301-985-8841 x3014 from the United States
- Office: 0760-030-3014 from Iraq
- IraqInvestmentClimate@state.gov